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DATE: March 27, 2024
TO: Our Agency Partners
FROM: Wes Gainey, President
RE: Important Changes

We are committed to maintaining our unwavering support for policyholders and collaborating closely with our agency partners throughout Tennessee. Our dedication to strengthening the financial foundation of our company remains steadfast, driving us to make decisions that reinforce this objective. Keeping this vision in focus, I wish to share some significant changes we are making in the coming months. I ask that you share these changes with your team.

New Business Restriction

Beginning June 1, 2024, FMT will not accept new business in counties within Zones/Territories 1 and 2 (see table below). FMT will reevaluate this decision in 6 months.

Earthquake Coverage

FMT will no longer write earthquake coverage on any new business beginning April 15, 2024. Further, FMT will remove earthquake coverage from Homeowners, Farmowners, and Mobile Homeowners Select policies starting with June 1, 2024 renewals. Please take this time to address this change with those affected customers.

Homeowners and Farmowners Select

FMT introduced the Homeowners and Farmowners Select in March of 2019. FMT adjusted the base rates on the Select line for the first time on June 1, 2023. Those rate adjustments were based on historical loss experience from March 2019 to October 2022, and the rate FMT took in 2023 was less than what was indicated by the actuarial data at the time. The severe and disruptive weather we experienced in 2023 impacted FMT's policyholders' surplus even more.

Therefore, FMT filed a rate adjustment with the TNDOCI on these Select lines as follows:

Zone	Counties	Increase
1	Fayette, Hardeman, Haywood, Madison, Shelby, and Tipton	1.250
2	Benton, Carroll, Crockett, Dyer, Gibson, Henderson, Henry, Houston, Humphreys, Lake, Lauderdale, Obion, Stewart, and Weakley	1.275
3	Cheatham, Davidson, Dickson, Hickman, Montgomery, Robertson, Rutherford, Sumner, Trousdale, Williamson, and Wilson	1.200
4	Bledsoe, Bradley, Grundy, Hamilton, Marion, McMinn, Meigs, Monroe, Polk, Rhea, and Sequatchie	1.050
5	Anderson, Blount, Campbell, Carter, Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Knox, Loudon, Roane, Sevier, Sullivan, Unicoi, Union, and Washington	1.050
6	Bedford, Chester, Coffee, Decatur, Franklin, Giles, Hardin, Lawrence, Lewis, Lincoln, Marshall, Maury, McNairy, Moore, Perry, Van Buren, Warren, and Wayne	1.075
7	Cannon, Clay, Cumberland, DeKalb, Fentress, Jackson, Macon, Morgan, Overton, Pickett, Putnam, Scott, Smith, and White	1.100

The overall proposed rate change is 15.5%.

Additionally, FMT purchases facultative reinsurance coverage on properties with a total insured value (TIV) limit of \$600,000 or more. In addition to our regular treaty reinsurance premium, FMT pays a \$250 minimum for each risk over this TIV limit. Therefore, FMT proposes passing along the per-risk cost and charging an additional premium of \$250 on each policy with a property having a total insured value (TIV) of \$600,000 or more.

Homeowners, Farmowners, and Mobile Homeowners Select

Based on the cumulative inflation rate since 2019, a 22% rate increase for inflation alone is indicated. With that said, FMT filed the following rate adjustments on Optional Property Coverages within the Homeowners, Farmowners, and Mobile Homeowners Select lines:

- Water Back Up and Sump Discharge or Overflow – 10% increase effective June 1, 2024, and an additional 10% increase effective June 1, 2025.
- Home Systems Protection - \$5 increase, making the new premium \$50. Also, an additional \$5 increase, *effective June 1, 2025*, making the adjusted premium \$55.
- Identity Coverage Recovery – \$3 increase, making the new premium \$18. Also, an additional \$3 increase, *effective June 1, 2025*, making the adjusted premium \$21.

FMT plans to modify the following *minimum deductibles*:

- Windstorm Or Hail Deductible – change from a minimum \$1,000 deductible to a minimum \$2,000 deductible. *Note: There will continue to be a deductible credit for \$2,000 deductible.*
- All Other Perils Deductible – change from a minimum \$500 deductible to a minimum \$1,000 deductible. *Note: There will be no credit for the \$1,000 deductible.*

As always, our goal is to maintain the stability of and increase policyholders' equity and continue to provide good coverage at a fair price now and well into the future. Thank you for your partnership in helping FMT meet that goal. I wish you, your family, and your team a blessed Easter weekend!